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## SUSTAINABILITY-RELATED DISCLOSURES

This document includes information relating to environmental and social characteristics of financial products and information relating to sustainable investments, in accordance with article 10 of the EU Sustainable Finance Disclosure Regulation ((EU) 2019/2088, as amended and supplemented, “SFDR”) and Article 24 of the EU 2022/1288 Regulatory Technical Standards (“RTS”).

Financial product name: Failup Fund I Ky (*hereinafter also referred to as the “fund”*)

Legal identifier: 3363774-5

### SUMMARY / (TIIVISTELMÄ IN FINNISH)

#### In English

The name of the financial product is Failup Fund I Ky (hereinafter also referred to as the “fund”). The fund will make, manage and dispose of equity, equity-related, debt and debt-related investments in unlisted companies in Finland, the other Nordic countries and in the United States. The fund is an SFDR Article 8 financial product which means that it promotes environmental or social characteristics but does not have sustainable investment as its objective.

The social characteristics that the fund promotes are workplace wellbeing and employee satisfaction. With regard to environmental characteristics, the fund promotes mitigation of carbon emissions.

The sustainability indicators used to measure the attainment of each of the environmental or social characteristics promoted by this financial product are the following:

- Lack of grievance/complaints handling mechanism related to employee matters: Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters.
- Investments in companies without carbon emission reduction initiatives: Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.

When the AIFM of the fund (Failup Ventures Management Oy, hereinafter also the “AIFM” or “Failup”) contemplates an investment by the fund in a portfolio company, the AIFM will carry out (or cause to be carried out) due diligence (including ESG due diligence) with respect to such portfolio company prior to the fund making its first investment in the relevant portfolio company. The policy to assess good governance practices of the investee companies comprises legal, ESG, financial, business & tax due diligence that will be performed before investment decision making.

The data used in the measurement of such characteristics comes mainly from external sources and directly from the investee companies. However, the data is in some cases developed in cooperation with the investee companies.

Failup relies on reported data as far as possible, but due to the early stage of the investee companies, reported data might not be of adequate quality. Therefore, Failup relies on estimates to a certain extent.

(in Finnish) (Suomeksi)

*Rahoitustuotteen nimi on Failup Fund I Ky (jäljempänä myös "rahasto"). Rahasto tekee oman pääoman ehtoisia sekä vieraan pääoman ehtoisia sijoituksia listaamattomiin yhtiöihin Suomessa, muissa Pohjoismaissa sekä Yhdysvalloissa. Rahasto on SFDR 8 artiklan mukainen rahoitustuote, eli se edistää ympäristöön tai yhteiskuntaan liittyviä ominaisuuksia, mutta sen tavoitteena ei ole kestävien sijoitusten tekeminen.*

*Ympäristöön ja yhteiskuntaan liittyvät ominaisuudet, joita rahasto edistää, ovat työhyvinvointi ja viihtyvyys yhteiskuntaan liittyvänä ominaisuutena sekä hiilipäästöjen vähentäminen ympäristöön liittyvänä ominaisuutena.*

*Kestävyysindikaattorit, joita käytetään mittaamaan kunkin tämän rahoitustuotteen edistämän ympäristöön tai yhteiskuntaan liittyvän ominaisuuden saavuttamista ovat seuraavat:*

- Työntekijöitä koskevan valituskanavan tai epäkohtien käsittelyyn liittyvän mekanismin puute: Sellaisten kohdeyhtiöiden osuus kaikista sijoituksista, joilla ei ole tällaista kanavaa käytössään.*
- Sijoitukset kohdeyhtiöihin, joilla ei ole olemassa hiilipäästöjen vähentämiseen liittyviä toimenpiteitä: Sellaisten kohdeyhtiöiden osuus, joilla ei ole olemassa hiilipäästöjen vähentämiseen liittyviä toimenpiteitä, joiden tarkoituksena on olla Pariisin ilmastopimuksen tavoitteiden mukaisia.*

*Kun rahaston hoitaja (Failup Ventures Management Oy, jäljempänä myös "AIFM" tai "Failup") suunnittelee sijoitusta kohdeyhtiöön, rahaston hoitaja suorittaa (tai suorittaa) due diligence -tarkastuksen (joka sisältää ESG due diligence -tarkastuksen) jokaista tulevaa sijoituskohteena olevaa yhtiötä koskien ennen sijoituksen tekemistä. Toimintaperiaatteet, joiden mukaisesti arvioidaan sijoituskohteina olevien yritysten hyviä hallintotapoja koostuvat erinäisistä juridisista, taloudellisista, kestävyteen liittyvistä ja verotuksellisista due diligence -tarkastuksista, jotka suoritetaan ennen sijoituspäätöksen tekemistä.*

*Tietolähteet, joita käytetään rahoitustuotteen edistämän kunkin ympäristöön tai yhteiskuntaan liittyvän ominaisuuden toteutumiseksi sisältävät pääasiassa ulkoisista lähteistä ja suoraan kohdeyhtiöiltä tulevaa dataa. Dataa kuitenkin kehitetään joissain tapauksissa yhteistyössä sijoituskohteena olevien yhtiöiden kanssa.*

*Failup luottaa raportoituun dataan niin pitkälti kuin mahdollista, mutta esimerkiksi sijoituskohteena olevien yhtiöiden varhaisen vaiheen vuoksi raportoitu data ei välttämättä ole tarpeeksi laadukasta. Siksi jossain määrin käytetään arvioitavia tietoja.*

## **NO SUSTAINABLE INVESTMENT OBJECTIVE**

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

## **ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT**

The social characteristics that the fund promotes are workplace wellbeing and employee satisfaction. With regard to environmental characteristics, the fund promotes mitigation of carbon emissions.

The sustainability indicators used to measure the attainment of each of the environmental or social characteristics promoted by this financial product are the following:

- Lack of grievance/complaints handling mechanism related to employee matters: Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters.

- Investments in companies without carbon emission reduction initiatives: Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.

## INVESTMENT STRATEGY

*Description on the investment strategy used to meet the environmental or social characteristics promoted by the financial product. Description on the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.*

The fund will make, manage and dispose of equity, equity-related, debt and debt-related investments in unlisted companies in Finland, the other Nordic countries and in the United States. The fund intends to meet the environmental or social characteristics promoted by the fund by measuring the attainment of the above-mentioned environmental and social characteristics.

The binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the fund are described below.

When the AIFM of the fund contemplates an investment by the fund in a portfolio company, the AIFM will carry out (or cause to be carried out) due diligence (including ESG due diligence) with respect to each portfolio company prior to the fund making its first investment in the relevant portfolio company. The due diligence process shall in each case cover the current levels of the sustainability indicators mentioned above.

The policy to assess good governance practices of the investee companies comprises legal, ESG, financial, business & tax due diligence that will be performed before investment decision making.

### **Exclusions**

The general partner of the fund respects the human rights and recognizes their importance and universality. The fund will not invest in companies in weapons, alcohol, pornography, tobacco, human cloning or gambling industries nor in companies conducting illegal activities or companies which the AIFM or the general partner of the fund determines to operate unethically. Additionally, the fund will not invest with founders or investors which the AIFM or the general partner of the fund determines to have serious reputational issues.

## PROPORTION OF INVESTMENTS

The fund commits to minimum proportion of investments as illustrated below. Investments under “#2 Other” below include investments that otherwise fall within the investment strategy of the fund but where, for example, the sustainability indicators cannot be sufficiently measured for example due to the early stage of the portfolio company and for this reason there might not yet be adequate level of data available, or the company might not yet have sufficient measures for monitoring to report the required information in relation to the sustainability indicators.

The fund aims to promote E/S characteristics in each portfolio company but as explained above, this might not be possible in every portfolio company. However, the Responsible Investment Policy of the AIFM and the fund will be applied in relation to each portfolio company. This means that the fund acknowledges the United Nations Principles for Responsible Investment and the Ten Principles of United Nations Global Compact, among others, and applies a strict exclusion list in the due diligence process in relation to each investment.

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**Does this financial product have a sustainable investment objective?**

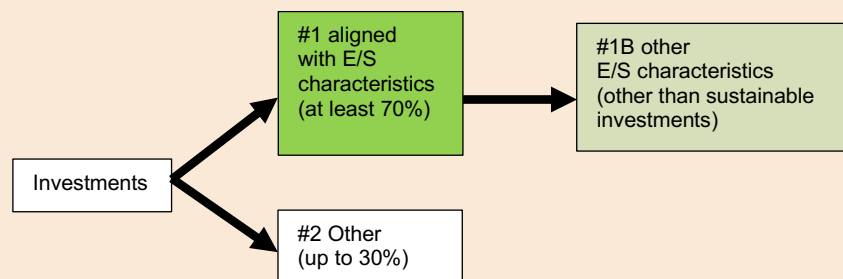
Yes

No

(The fund promotes environmental and social characteristics as set out below but does not undertake to make any sustainable investments.)

- It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_\_%
  - in economic activities that qualify as environmentally sustainable under the EU Taxonomy
  - in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- It will make a minimum of **sustainable investments with a social objective:** \_\_\_\_%

- It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_\_% of sustainable investments
  - with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
  - with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
  - with a social objective
- It promotes E/S characteristics, but **will not make any sustainable investments**



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

## **MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS**

*Description on how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.*

### **Pre-Investment**

An analysis of the ESG risks and opportunities of a potential investee company is part of the AIFM’s due diligence process. As ESG related risks and opportunities vary in different industries, markets and stages, they are considered on a case-by-case basis and focus is on the matters that are relevant to each of the target companies and their operating environments. Failup will use an ESG due diligence check list that will be referred to in each investment decision. The observations and conclusions of the ESG due diligence review are presented as an attachment to the investment memorandum and taken into consideration in the decision-making for an initial and a follow-on investment.

### **Post-Investment**

After an investment, a discussion on ESG matters is a part of the AIFM’s work with the investee company. Each investee company develops its own corporate responsibility policy, while Failup provides support to that process. Reviewing ESG matters is part of investee companies’ boards’ work. The general partner of the fund believes that the AIFM’s support is beneficial to them for example in establishing and further developing good governance policies and social responsibility practices like fair employment, work well-being, avoidance and elimination of discrimination and harassment, diversity, and human rights.

Each investee company will be asked to maintain the following ESG forms that we constantly develop throughout the fund lifecycle:

- Workplace health and safety form
- Climate impact form

Failup believes that good corporate governance is the foundation of effective corporate management, and we support the investee companies to establish and further develop good governance policies and processes. Failup expects that the Investee Companies conduct their activities according to the laws and regulations they are subject to. Failup discusses with each of the investee companies of their ESG targets, key performance indicators (KPI) and development and asks for regular ESG reports. Failup reports to the Limited Partners on ESG strategy, development and KPIs on a regular basis.

## **METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS**

*Description on how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental*

*or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.*

Please see the description above under heading “Monitoring of environmental or social characteristics”.

## **DATA SOURCES AND PROCESSING**

### **a) What are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?**

The AIFM of the fund will carry out (or cause to be carried out) due diligence (including ESG due diligence) with respect to each portfolio company prior to the fund making its first investment in the relevant portfolio company. The due diligence process shall in each case cover the current levels of the sustainability indicators mentioned above. The due diligence process includes legal, ESG, financial, business and tax due diligence. Therefore, internal and external data may be used to ensure that the fund is invested in accordance with the E/S characteristics the fund promotes. Information available from public sources may also be used.

### **b) What are the measures taken to ensure data quality?**

Failup discusses with each of the Investee Companies of their ESG targets, key performance indicators (KPI) and development and asks for regular ESG reports. Failup reports to the limited partners of the fund on ESG strategy, development and KPIs on a regular basis.

The ESG policies and processes are part of the AIFM's internal development goals. ESG matters are on agenda at the board meetings of the general partner and the AIFM at least once a year. The boards review the state, progress and development needs of ESG matters in investee companies and the AIFM.

The limited partner advisory committee of the fund also reviews the responsible investment policy and ESG matters of Failup at least once a year. The general partner will provide ESG reporting to the limited partners as discussed and agreed with the limited partner advisory committee.

### **c) How is data processed?**

As described above, the data comes mainly from external sources, public sources and directly from the investee companies. However, the data is in some cases developed in cooperation with the investee companies. The raw data received from the investee companies is then analysed or complemented internally in order to provide the required reports.

### **d) What proportion of data is estimated?**

Failup relies on reported data as far as possible, but due to, for instance, the early stage of the investee companies, reported data might not be of adequate quality. Therefore, Failup relies on estimates to a certain extent.

## **LIMITATIONS TO METHODOLOGIES AND DATA**

### **a) Are there any limitations to the methodologies and data sources used?**

It might be considered a limitation that in some circumstances, the data received from external sources may be estimated (e.g., due to the early stage of the investee companies).

**b) How do those limitations not affect how the environmental or social characteristics promoted by the financial product are met?**

As described, due diligence covering different areas is performed in relation to each investee company prior to investment. The data is evaluated ongoingly, and the quality of the data is reviewed in cooperation with the investee companies.

## **DUE DILIGENCE**

*Description of the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.*

As described above, an analysis of the ESG risks and opportunities of a potential investee company is part of the AIFM's due diligence process. Failup uses an ESG due diligence check list that will be referred to in each investment decision. The due diligence process includes at least legal, ESG, financial, business and tax due diligence.

## **ENGAGEMENT POLICIES**

*Description on the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.*

Please note that as the fund as the financial product, and Failup as the financial market participant, do not consider the principal adverse impacts of investment decisions on sustainability factors, this section is not applicable to the fund.

## **DESIGNATED REFERENCE BENCHMARK**

*Description on whether an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product, and how that index is aligned with the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated.*

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the fund.